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Anticipated acquisition by G4S Cash Services (UK) Limited of Abbotshurst Group plc

The OFT's decision on reference under section 33(1) given on 18 May 2007. Full text of decision published 25 May 2007.

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**Please note that square brackets indicate figures or text which have been deleted or replaced with a range by the OFT or at the request of the parties for reasons of commercial confidentiality or public interest.**

**PARTIES**

1. **G4S Cash Services (UK) Limited ('G4S')** is a wholly owned subsidiary of Securicor Group Limited, the ultimate parent of which is G4 Securicor plc. G4 Securicor plc is a global provider of security services (including manned security and justice services), security systems and cash services. Its UK business operates through a network of 46 branches and 10 cash centres located throughout the country.
2. **Abbotshurst Group plc ('Abbotshurst')** is a public limited company and the parent of Security Plus Limited ('Security Plus'). Through Security Plus, Abbotshurst is a regional provider of cash-in-transit, guarding and smoke box repair services. Security Plus operates from six branches in the Midlands and the North of England. Abbotshurst's UK turnover in the year ended 30 September 2006 was [£15 to 20] million.

**TRANSACTION**

3. G4S proposes to acquire the entire issued share capital of Abbotshurst and its subsidiaries including Security Plus. The transaction is

conditional on obtaining merger control clearance from the Office of Fair Trading ('OFT').

4. The parties notified a satisfactory submission to the OFT on 16 March 2007. The OFT's administrative deadline was 16 May 2007.

## **JURISDICTION**

5. As a result of this transaction G4S and Abbotshurst will cease to be distinct. The parties overlap in the supply of cash-in-transit services, for which their combined share of supply is in excess of 25 per cent. Therefore, the share of supply test in section 23 of the Enterprise Act 2002 ('the Act') is met. The OFT therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

## **FRAME OF REFERENCE**

6. The parties overlap in two broad types of security services:
  - a) Cash-in-transit ('CIT') services, including cash transportation, cash processing services and ATM replenishment, and
  - b) Integrated security services, including manned and mobile guarding services.
7. Information provided by the parties shows that the main overlap is in CIT services, which comprises [80 to 90] per cent of Security Plus' revenue. The overlap in integrated security services, particularly manned guarding, is small and there are a wide range of alternative providers in the sector. As the OFT has not received significant concerns from third parties in relation to manned guarding, no further consideration will be given to this area. Therefore, the following deals with CIT services only.

## Product scope

8. CIT services comprise four different types of services, which are illustrated in figure 1 below, including:
  - a) cash transportation
  - b) cash processing services
  - c) cash management services, and
  - d) ATM replenishment services.<sup>1</sup>

### Figure 1: Different types of CIT services

[ ]

*Source: OFT analysis*

9. A CIT branch [ ]. A CIT provider will operate a network of CIT branches, and may have a regional or national presence. A cash centre, on the other hand, [ ]. Some CIT branches are co-located in cash centres. [ ].
10. The majority of CIT providers offer their services externally to third party customers. However, the Post Office and Sunwin Cash Processing Services Limited also provide CIT services in-house or internally. While supply side substitution from internal to external CIT services is possible, the OFT believes it is unlikely that existing in-house services will be reduced in the near future (such as to result in an increase in available external capacity) and therefore the appropriate frame of reference in this case should include external CIT services only.
11. CIT providers offer services by bidding for tenders, issuing quotes on request and/or approaching customers by telephone or in person to generate interest. Intermediaries (such as Cash Management Systems

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<sup>1</sup>The parties have no overlap in cash management services and limited overlap in ATM replenishment services.

Limited and Q&A Solutions Limited) also play a role in the provision of CIT services by managing tenders on behalf of customers.

12. The parties submitted that there is one relevant product market for CIT services (defined as cash transportation, cash processing and ATM replenishment).<sup>2</sup> The OFT considered these three candidate frames of reference. From a demand-side perspective, the OFT believes there is little, if any, substitutability between each type of service.<sup>3</sup> From a supply-side perspective, the majority of competitors offer each of the three services to customers and evidence obtained by the OFT suggests that it is straightforward for suppliers to switch between these services.
13. The OFT therefore agrees with the parties that there appears to be one relevant product frame of reference – that for, cash transportation, cash processing and ATM replenishment.<sup>4</sup>

### **Geographic scope**

14. The parties overlap in the provision of CIT services where Security Plus operates - the Midlands and the North of England. The OFT previously considered that regional suppliers of CIT services exerted limited competitive pressure on national suppliers.<sup>5</sup> Evidence obtained by the OFT from the parties and third parties in this case suggested that competition may take place at a national or regional level depending on the customer and its requirements. The parties identified different customer groups including:

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<sup>2</sup> As the parties do not overlap in the provision of cash management services, it was not necessary to consider whether they formed part of the relevant product scope.

<sup>3</sup> The OFT also considered other alternatives available to customers, such as walking cash to the bank and cash recycling. However, evidence obtained from third parties suggested that such alternatives do not provide a constraint on any of the three types of services listed above.

<sup>4</sup> This is broadly consistent with the findings of two previous decisions: OFT decision on the Proposed acquisition by Securicor plc of the cash handling and distribution business of the Royal Mail Group plc (formerly Consignia plc), 2002 and European Commission decision in Group 4 Falck/ Securicor, 2004.

<sup>5</sup> Although that case involved a merger between two national CIT providers - OFT decision on the Proposed acquisition by Securicor plc of the cash handling and distribution business of the Royal Mail Group plc (formerly Consignia plc), 2002.

- a) Large nationwide customers who have a strong preference for appointing a single CIT provider, and whose choice will therefore be limited to one of the four nationwide suppliers ('large nationwide customers')
  - b) SME customers (including local authorities for example) whose demand arises in only one area and who can therefore consider any of the nationwide suppliers plus local or regional operators who serve their area ('local customers'), and
  - c) National customers who are prepared to break down their contracts on a regional basis in order to choose different CIT operators in different locations ('flexible national customers').
15. The OFT believes the parties' segmentation based on customers is plausible and has therefore considered both national and regional aspects of competition in this case. The OFT analysed the impact of the merger on local customers and flexible national customers (as defined in paragraphs 14b and 14c above) by reference to the particular regions where the parties overlap, that is, the Midlands and the North of England.

## **HORIZONTAL ISSUES**

### **Market share estimates**

16. The parties provided the following market share estimates for external CIT services in the UK and in the Midlands and the North of England where the parties overlap.

<b>CIT provider</b>	<b>UK Value of Sales (£m)</b>	<b>UK Share (%)</b>	<b>North/Midlands Value of Sales (£m)</b>	<b>North/Midlands Share (%)</b>
G4S	[ ]	[55-60]	[ ]	[50-55]
Security Plus	[ ]	[0-5]	[ ]	[5-10]
<b>G4S/Security Plus</b>	[ ]	<b>[60-65]</b>	[ ]	<b>[60-65]</b>
Loomis/Securitas	[ ]	[30-35]	[ ]	[30-35]
Post Office	[ ]	[0-5]	[ ]	[0-5]
Brinks	[ ]	[0-5]	[ ]	[0-5]
Others	[ ]	[0-5]	[ ]	[0-5]
Total	[ ]		[ ]	

*Source: G4S estimates based on publicly available information*

17. As the above table illustrates, G4S is currently the largest supplier in this market on both a national and a regional basis, and Loomis (formerly named Securitas) is the second largest. However, on a regional basis, in the Midlands and the North of England, Security Plus is clearly the third largest supplier, with well over twice the regional sales of the next largest.
  
18. On a national basis, the parties will have a combined UK market share for external CIT services of [60 to 65] per cent (Security Plus increment [0 to 5] per cent) as a result of the merger. Evidence provided by the parties suggests that Security Plus is a regional player and does not provide a significant competitive constraint on G4S for CIT services to large nationwide customers (as defined in paragraph 14a above). The OFT therefore believes that the merger does not significantly alter the competitive landscape for large nationwide customers and therefore does not consider them further.
  
19. On a regional basis, the parties estimate that post-merger they will have a combined share of external CIT services in the Midlands and the North of England of [60 to 65] per cent (Security Plus increment [5 to 10] per cent).

20. The parties submitted that market shares may not provide a good proxy for market power in this case as a large proportion of the value of the market is allocated through a tendering process, the service provided is homogenous and there can be large and sudden changes to market shares over time. In practice, the OFT received no historical evidence of large and sudden changes to CIT market shares. However, the OFT agrees that in markets such as this, existing market share estimates based on revenue may not provide a perfect indication of the current competitive environment and therefore it also considered the extent to which Security Plus and other competitors may provide more of a constraint to G4S than their market shares suggest.

**Data provided by the parties**

21. The OFT considered bid data provided by the parties as an additional means of assessing the competitive process for the supply of CIT services to local customers and flexible national customers (as defined in paragraphs 14b and 14c above). G4S provided bid data covering [ ] tenders, which represented [90 to 100] per cent by value of all tenders in which G4S participated from 2004 to 2006. [ ] of these bids were for tenders in the Midlands and the North of England. A summary of the results of these bids is presented in the table below.

<b>CIT provider</b>	<b>North/ Midlands Number of bids won</b>	<b>North/ Midlands Share (%) of bids won by number</b>	<b>North/ Midlands Total value £'000</b>	<b>North/ Midlands Share (%) of bids won by value</b>
G4S	[ ]	[50-55]	[ ]	[60-65]
Security Plus	[ ]	[20-25]	[ ]	[15-20]
<b>G4S/Security Plus</b>	[ ]	<b>[70-75]</b>	[ ]	<b>[80-85]</b>
Loomis/Securitas	[ ]	[15-20]	[ ]	[5-10]
Post Office	[ ]	[0-5]	[ ]	[0-5]
Brinks	[ ]		[ ]	
Sunwin	[ ]	[0-5]	[ ]	[5-10]
Others	[ ]		[ ]	
Total	[ ]		[ ]	

*Source: OFT's analysis of G4S bid data 2004-2006*

22. These bid data show that Security Plus won [20 to 25] per cent of these bids in the Midlands and the North of England from 2004 to 2006 or [15 to 20] per cent by value, suggesting that Security Plus is a stronger current competitor than the parties' market share estimates indicate for those areas. G4S won [50 to 55] per cent of bids entered from 2004 to 2006 or [60 to 65] per cent by value. Combined, the parties won approximately [70 to 75] per cent of bids by number or [80 to 85] per cent by value, suggesting that the merged party would be a stronger competitor in the bidding process for CIT services post-merger in the Midlands and the North of England than is suggested by the market share estimates presented above.
23. The parties submitted that the bid data provided are based on G4S's market knowledge, are incomplete and over-estimate the presence of G4S as the data do not reflect all of those tenders in which G4S did not participate. Security Plus told the OFT that it was unable to provide a record of bids that it has participated in historically. However, what the data do clearly show is that - whenever G4S is bidding for contracts in

the Midlands and the North of England - Security Plus is the player they are most likely to lose out to.

24. Moreover, the OFT believes that as G4S is likely to have bid in the majority of larger tenders in the area in which Security Plus competes, it is unlikely that a complete set of bid data, including those contracts not represented in the parties' sample above, would show a significantly different picture of the competitive constraint exerted by the parties on each other. The OFT therefore considers that the bid data provided by G4S is unlikely to substantially over-estimate the presence of the parties.
25. The parties also submitted that contracts for SME or local customers (as defined in paragraph 14b above) are generally not subject to competitive tendering. It is therefore appropriate to consider data for quotes. Security Plus provided the OFT with figures to suggest that it had a success rate on quoted contracts in 2006 of approximately [30 to 35] per cent in the Midlands and the North of England, again a figure substantially higher than its market share might suggest. The parties told the OFT at the Issues Meeting that G4S had a similar success rate for quotes, although it was not clear whether this was specific to the Midlands and the North of England or more generally.
26. Overall, therefore, the OFT believes that the estimated market shares appear to represent an accurate picture of the competitive environment for CIT services and may even, based on analysis of the G4S bid data, potentially underestimate the true extent to which Security Plus competes for CIT services in the Midlands and the North of England.

#### **Further evidence on the competitive constraint provided by Security Plus**

27. Security Plus entered the CIT market in 1982 with a branch in [ ]. Since then it has opened five further branches ([ ] in 1989, [ ] in 1993, [ ] in 2000, [ ] in 2005 and [ ] in 2006).
28. A number of third parties commented that Security Plus acts as a competitive constraint on G4S with respect to both regional and certain

national security contracts. One customer stated that 'Security Plus has expanded the geographic spread of its operations in previous years whilst continuing to provide a quality service. Its absence would limit the market to two credible providers for a company of our size. It is our belief that were this acquisition to go ahead, it will restrict competition in this industry.'<sup>6</sup> A number of third parties also referred to the merger decreasing choice in the CIT market.<sup>7</sup>

29. One customer commented that 'Security Plus has been a thorn in the side of both [G4S] and Securitas for many years as it has grown its business by reasonable pricing coupled with good standards of service.'<sup>8</sup> Another third party commented that 'Security Plus provides independent, innovative, cost effective and high quality services to a wide range of [customers]. [The] merger will result in a fundamental, long term increase in prices for cash transit customers and, through reduced competition, may have a detrimental impact on innovation and service quality.'<sup>9</sup>
30. Various internal documents provided by the parties also suggest that Security Plus, although a smaller, regional player, exerts a considerable competitive constraint on G4S and has been seen as a [ ] in the past.<sup>10</sup>
31. The parties submitted that price is the most important factor in selecting a CIT provider. Evidence obtained by the OFT from the parties<sup>11</sup> and third parties shows that Security Plus is perceived by both customers and G4S as pricing very competitively.
32. The OFT therefore believes Security Plus provides a strong competitive constraint on G4S in respect of local customers and flexible national customers (as defined in paragraphs 14b and 14c above) and that its

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<sup>6</sup> Response to OFT from [ ] 23 March 2007.

<sup>7</sup> Response to OFT from [ ] 26 March 2007; response from [ ] 28 March 2007, response from [ ] 29 March 2007.

<sup>8</sup> Response to OFT from [ ] 23 March 2007.

<sup>9</sup> Response to OFT from [ ] 23 March 2007.

<sup>10</sup> See [ ].

<sup>11</sup> See [ ].

removal may lead to an increase in price and/or reduction in services levels for CIT services to those customers.

### **Competitive constraint provided by other CIT suppliers**

33. The parties submitted that there would remain four national providers (G4S/Security Plus, Securitas, Brinks and the Post Office) post-merger with one less regional player (Security Plus) in a market where there are a number of smaller regional suppliers. However, the key issue here is the extent to which these suppliers would provide a competitive constraint on the merged entity in relation to its local customers and flexible national customers (as defined in paragraphs 14b and 14c above).

#### Loomis/Securitas

34. Loomis (formerly named Securitas) is a strong national and regional player. The parties estimate Loomis' market shares to be around [30 to 35] per cent nationally and [30 to 35] per cent in the Midlands and the North of England. A number of third parties commented that they would consider Securitas as the 'only viable competitor'<sup>12</sup> to the parties post-merger. Analysis of the G4S bid data for the Midlands and the North of England shows that Securitas participated in [90 to 95] per cent of tenders bid for by G4S in these regions and won roughly [20 to 25] per cent.
35. The OFT believes that as the second largest competitor for CIT services across the UK and in the Midlands and the North of England, Loomis will continue to provide a significant competitive constraint on the parties post-merger.

#### Brinks

36. Brinks has a national network in the UK and is part of a well recognised international group and brand. Evidence obtained by the OFT from the

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<sup>12</sup> Response to OFT from [ ] 23 March 2007.

parties and third parties suggests that Brinks has traditionally had a strategy to target national ATM contracts. The parties estimate Brinks' national market share to be [0 to 5] per cent.

37. The parties submit that Brinks has a strong regional CIT business in Scotland and Northern Ireland. They estimate Brinks' market share to be around two per cent in a number of regions - including the Midlands and the North of England - except for Scotland, where its market share is estimated at [15 to 20] per cent.<sup>13</sup> The parties submitted that Brinks' strength in this neighbouring region makes it well placed to compete in the Midlands and the North of England. However, the OFT received no evidence to suggest that Brinks has done so to date. In addition, analysis of the G4S bid data for the Midlands and the North of England shows that Brinks rarely bid for the contracts entered by G4S over the period from 2004 to 2006 and won none.
38. The OFT therefore believes that Brinks does not currently provide a competitive constraint on the parties in the Midlands and the North of England for local customers and flexible national customers (as defined in paragraphs 14b and 14c above). Evidence obtained by the OFT from third parties was unclear as to the whether Brinks would change its current national strategy to focus on regional contracts and specifically, for customers in the Midlands and the North of England where Security Plus operates, as a result of the merger.<sup>14</sup> The OFT has therefore taken a cautious approach and in light of Brinks' prevailing position in the market for CIT services considers that the likelihood of entry is not sufficient to defeat any attempt by the parties to exploit the reduction in rivalry resulting from the merger.

#### Post Office

39. The parties estimate that the Post Office's market shares for external CIT services are around [0 to 5] per cent nationally and [0 to 5] per cent for the Midlands and the North of England. Analysis of the G4S bid

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<sup>13</sup> In February 2005 Brinks purchased Group 4 Falck Cash Services UK Limited in Scotland and the Northwest of England.

<sup>14</sup> [ ].

data for these regions shows that although the Post Office entered [30 to 35] per cent of tenders that G4S for from 2004 to 2006, they only won approximately [0 to 5] per cent of these or [0 to 5] per cent by value.

40. While the Post Office has been active in the external CIT market for many years, evidence provided by the parties and third parties suggests that the Post Office has undergone some changes in recent years. The Post Office considered exiting the market for external CIT services in 2005 but entered into a new agreement with the Communication Workers Union in August 2006, under which the Post Office committed to continuing with its external CIT business.
41. The parties submitted that the Post Office will now therefore compete more aggressively for new work and provided some recent examples of successful contract bids. One third party suggested that these recent contract wins might absorb a significant portion of the Post Office's vehicle capacity so as to restrict its ability to compete more extensively in future. The parties submitted that the Post Office has ordered additional vehicles to assist with its growing business, however, the OFT received comments from third parties to suggest that the Post Office has had no increase in the overall number of vehicles available for use for CIT services.
42. In addition, the OFT received comments from third parties to suggest that the Post Office has strict formal limitations on its ability to obtain funding for any plans for expansion and that it currently holds no specific targets for future regional growth. The OFT received no evidence to suggest that there would be any significant changes in strategy for the Post Office in the future.
43. The OFT believes that while the Post Office will continue to provide external CIT services, it is unlikely that it will provide a sufficient constraint to offset the loss of competition for local customers and flexible national customers (as defined in paragraphs 14b and 14c below) resulting from the merger.

## Other regional CIT suppliers

44. The parties identified a number of smaller, regional CIT suppliers such as Sunwin Cash Processing Services Limited; Kings Armoured Security Services Limited; Guardian Security (Leicester) Limited; and Contract Security Services Limited.
45. The parties estimate that these suppliers have combined market shares of less than two per cent, both nationally and in the Midlands and the North of England. In addition, analysis of the G4S bid data suggests that these players have little impact on competition at either a regional or national level. Evidence obtained by the OFT from third parties did not contradict this, with no customers stating that they considered these smaller, regional providers to be viable alternatives.
46. Based on the parties' market share estimates and analysis of the G4S bid data, the OFT does not believe that other regional CIT providers will provide a sufficient competitive constraint on the parties to offset the loss of competition resulting from the merger.

## Barriers to entry and expansion

47. In previous cases involving CIT services, the OFT and the European Commission considered that the likelihood of entry was not sufficient to offset adverse effects and that barriers to entry were high in the UK.<sup>15</sup> In this case, the parties did not contest the OFT's view that there are high barriers to entry on a national scale but submitted that entry at a local or regional level seems plausible.
48. The parties gave examples of entry for smaller providers on a regional level but these examples were quite old, with the most recent being in 1990, and the OFT obtained no evidence to suggest that any of these entrants acted as a competitive constraint on the parties.

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<sup>15</sup> OFT decision on the Proposed acquisition by Securicor plc of the cash handling and distribution business of the Royal Mail Group plc (formerly Consignia plc), 2002 and European Commission decision in Group 4 Falck/ Securicor, 2004.

49. The OFT previously considered that it would be costly for a regional player to expand to being a national player.<sup>16</sup> However, the parties submitted in this case that it is relatively straightforward for regional players to gradually expand capacity and extend their geographical reach. Third parties also mentioned that short term expansion is relatively easy but did not provide any examples and the OFT has seen little evidence of short term expansion in the past. Security Plus itself entered in 1982 but took many years to establish a reputation and achieve sufficient scale to compete to the extent that it presently does (although, as the parties submitted, its expansion developed more rapidly over the past five years).
50. Evidence obtained by the OFT from third parties suggests that expansion assisted by an intermediary or larger customer is possible but again, the OFT has obtained little evidence of this occurring in the past. As CIT services are high risk, with increasing levels of attacks upon providers, it is not attractive for (particularly local) customers to assist expansion and many larger customers require a national network. The OFT therefore believes that assisted expansion is unlikely to occur to a sufficient degree to offset the loss of competition resulting from the merger.
51. One smaller supplier of CIT services told the OFT that it plans to expand within the next year.<sup>17</sup> That supplier currently competes in the Midlands and the North of England to a limited extent but the OFT received no evidence to suggest that its expansion would be sufficient to replace the competitive constraint lost as a result of the merger for local and flexible national customers (as defined in paragraphs 14b and 14c above) in the Midlands and the North of England.
52. Barriers to expansion in this market are unclear, but there is only limited evidence of expansion by smaller providers in recent years. One possible explanation may be the importance of reputation in the

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<sup>16</sup> OFT decision on the Proposed acquisition by Securicor plc of the cash handling and distribution business of the Royal Mail Group plc (formerly Consignia plc), 2002

<sup>17</sup> Sunwin Cash Processing Services Limited informed the OFT that it plans to expand (from currently six branches in the north) to provide CIT services on a national network.

industry, although the OFT has received no specific comments in this regard.

53. Overall, there is little evidence available to the OFT that either new entry or expansion by existing players (such as Brinks and the Post Office) would be sufficient in terms of likelihood, time and scope to deter the merged entity from exploiting the lessening in rivalry resulting from the merger.

### **Buyer power**

54. Evidence provided by the parties and third parties suggests that intermediaries such as Cash Management Services and Q&A Solutions have become more involved in negotiating tenders for contracts on behalf of retail customers, primarily for larger customers.<sup>18</sup> However, evidence obtained by the OFT from third parties on buyer power was mixed. Only two customers who responded to the OFT stated that they use intermediaries and six relatively large customers said that they did not. The OFT obtained no evidence to suggest that local customers (as defined in paragraph 14b above) have sufficient buyer power to offset the loss of competition resulting from the merger.

### **CO-ORDINATED EFFECTS**

55. The parties submitted, and the OFT agrees, that the merger is unlikely to give rise to co-ordinated effects.

### **VERTICAL ISSUES**

56. No vertical issues arise as a result of this merger.

### **THIRD PARTY VIEWS**

57. The majority of competitors who responded to the OFT expressed concerns regarding the merger. A majority of customers and indeed, all

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<sup>18</sup> See for example, [ ].

customers of Security Plus, who responded to the OFT were concerned. Any specific concerns have been addressed above.

## UNDERTAKINGS IN LIEU

58. Where the duty to make a reference under section 33(1) of the Act applies, pursuant to section 73(2) of the Act the OFT may, instead of making such a reference, and for the purpose of remedying, mitigating or preventing the substantial lessening of competition concerned or any adverse effect which has or may have resulted from it or may be expected to result from it, accept from such of the parties concerned undertakings as it considers appropriate.
59. The OFT has therefore considered whether there might be undertakings in lieu of reference which would address the competition concerns outlined above. The OFT's *Mergers Substantive Assessment Guidance* states that, 'undertakings in lieu of reference are appropriate only where the competition concerns raised by the merger and the remedies proposed to address them are clear cut, and those remedies are capable of ready implementation.'<sup>19</sup>
60. The parties indicated to the OFT that in order to remedy any substantial lessening of competition identified by the OFT and to avoid a reference to the Competition Commission, they would be prepared to offer behavioural undertakings such that [ ].
61. The OFT considers that the behavioural undertakings offered by the parties fail to meet the criteria set out in the OFT's *Mergers Substantive Assessment Guidance*. They do not restore the competitive dynamic lost as the result of the merger and are not clear cut or capable of remedying the adverse competition effects that this merger will give rise to. The duty to refer therefore remains.

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<sup>19</sup> Mergers Substantive Assessment Guidance, paragraph 8.3.

## ASSESSMENT

62. The proposed merger combines the largest national provider of external CIT services with a significant regional provider of external CIT services for large nationwide customers, local customers and flexible national customers (as defined in paragraph 14 above). For large nationwide customers there will be no change in the number of competitors present and therefore the merger will not significantly lessen competition in relation to these customers.
63. On a regional basis, in the Midlands and the North of England, high estimated market shares and analysis of the G4S bid data suggests that Security Plus is a particularly strong competitor for local and flexible national customers. For these customers, the OFT believes that the merger represents a reduction from three to two major CIT providers (G4S/Security Plus and Loomis). Evidence obtained from third parties indicates that Brinks and the Post Office do not currently provide a significant competitive constraint on the parties. The OFT believes that expansion by them would be insufficient, in terms of likelihood, time and/or scope, to offset the loss of competitive constraint currently provided by Security Plus in the Midlands and the North of England resulting from the merger. The OFT also believes that the presence of a number of smaller, regional competitors is insufficient to offset the loss of competition resulting from the merger.
64. Evidence obtained by the OFT from third parties suggests that while new entry and expansion can occur at a regional level, there has been little evidence of this occurring in the past and it may take some time for competitors to develop the reputation necessary to become a significant competitor.
65. The OFT therefore believes that the removal of Security Plus as a highly competitive provider of CIT services can be expected to give rise to an increase in prices and/or a reduction in quality of service to local and flexible national customers in the Midlands and the North of England.

66. Consequently, the OFT believes that it is or may be the case that the merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

67. This merger will therefore be referred to the Competition Commission under section 33(1) of the Act.